

Attachment (5)

INSTRUCTIONS FOR
PERFORMING
THE ANNUAL ALLOCATION
OF NON-SITE-SPECIFIC COSTS
CONTRACT _____

Program and Cost Accounting Branch
Financial Management Division
Office of the Comptroller

TABLE OF CONTENTS
INSTRUCTIONS FOR THE ANNUAL ALLOCATION
OF NON-SITE-SPECIFIC COSTS

SECTION I - INTRODUCTION	1
OVERVIEW	2
DEFINITIONS OF TERMS	3
GENERAL REQUIREMENTS	4
SECTION II - ANNUAL ALLOCATION OF NON-SITE COSTS	6
ANNUAL ALLOCATION PROCESS	7
Step 1 - Reconciliation of Amount Paid	8
Step 2 - Identification of Site-Specific Costs	10
Step 3 - Reassignment of Pre-SSID Costs	12
Step 4 - Identification of Non-Site Costs	13
Step 5 - Program Management Costs	15
Step 6 - Start-Up Costs	16
Step 7 - Equipment	18
Step 8 - Non-Site Activities	21
Step 9 - Non-Superfund Costs	22
Step 10 - Summary of Amounts	23
Step 11 - Allocation of Program Management Costs	24
Step 12 - Allocation of Start-up Costs	27
Step 13 - Allocation of Capital Equipment Costs	28
Step 14 - Allocation of Site-Support Costs	29
Step 15 - Completion of Master Allocation Schedule	30
Step 16 - Summary of Allocated Amounts	31
SECTION III - EXAMPLES OF ANNUAL ALLOCATION SCHEDULES	32
SUMMARY OF ALLOCATION	33
MASTER ALLOCATION SCHEDULE	34
SCHEDULE OF START-UP COSTS	35
SCHEDULE OF CAPITAL EQUIPMENT DEPRECIATION	36
SCHEDULE OF NON-SITE ACTIVITIES	37

SECTION I

INTRODUCTION

OVERVIEW

CERCLA, as amended by SARA, authorizes EPA to recover all response costs associated with cleaning up hazardous waste sites. A large portion of EPA's response costs consists of payments to response action contractors. In order for these costs to be adequately supported in cost recovery litigation against the potentially responsible party, a defensible, logical and supportable accounting methodology must be in place that can assign costs to specific sites.

The site-specific portion of the contract costs are accounted for by EPA on a site-specific basis. However, contractors' non-site-specific costs are accounted for in a general account and must be allocated to the sites in order to be recovered. This guidance provides a logical and equitable methodology for the distribution of these non-site-specific costs to specific sites. This effort is called Annual Allocation. Completion of Annual Allocation reports by the response action contractors will result in the inclusion of all appropriate costs in the cost recovery effort.

This document has been prepared by the Program and Cost Accounting Branch (PCAB) of the Financial Management Division. It provides instructions to contractors on how to perform the annual allocation. EPA recognizes that each contract may feature unique situations which may not necessarily be addressed in these instructions. In such cases, the contractor should contact PCAB (Tina Van Pelt, 202-564-4984) for guidance.

DEFINITIONS OF TERMS

Capital Equipment - equipment with a unit cost of \$5,000.00 or more and with a useful life greater than 1 year.

Direct Site Costs - costs which are attributable to a specific site.

End of Contract costs - costs incurred to shut down a contract - usually occur at the end of the contract. End of contract costs may include such items as equipment removal costs and maintenance.

Program management - contract specific costs and fees incurred for the management of the specific EPA contract as a whole.

Non-site activities - costs incurred for activities not charged to specific sites. Examples include training of state personnel, calibrating EPA-owned equipment, and participating in general meetings and/or conferences. Non-site activities are broken down into two broad categories: program-wide and site-support. (See definitions below.)

Pre-SSID costs - costs incurred in connection with particular locations at which a Site/Spill Identifier (SSID) has not been assigned. Also known as Sites without SSIDs or 'ZZ' costs.

Program-wide non-site activities - costs incurred for activities which support the overall Superfund program. The costs are global in nature and purpose and are **not** eligible for distribution to sites. Examples of program-wide activities include training given by the contractor for EPA employees, training to first responders, training of state personnel, and attendance at conferences held to discuss general Superfund issues.

Site-support non-site activities - costs incurred for those activities other than program management and fees which relate to, support, and/or benefit the sites worked on by the contractor in the aggregate, but which cannot be accounted for readily on a site-specific basis. Examples include training for contractor employees working on sites, equipment maintenance, calibrating EPA-owned equipment, tracking and inventory, and a conference or meeting held to discuss issues related to sites the contractor worked on.

SSID - Site/Spill Site Identifier - specific two character alpha-numeric designation for each site within a region. The SSID number is the last two digits in the EPA accounting system's 10 digit account number used to track all costs incurred on the site.

Start-up Costs - cost of efforts and activities incurred early in the contract term whose benefits extend for the entire contract period. Examples may include recruitment and relocation of staff, preparation of the contract work plan, establishment of a quality assurance program and certain equipment purchases.

"00" costs - synonymous with "non-site-specific" costs. These are costs which are attributable to more than one site or the program. Examples include program management and fees, equipment, start-up costs, end-of-contract costs and all non-site activities. The "00" represents the last two

digits in the EPA 10 digit account number.

GENERAL REQUIREMENTS

The Annual Allocation process results in the contractor allocating all program management costs; fixed, base and award fees; and some non-site activity costs to sites and activities the contractor worked on during the fiscal year. The contractor submits an allocation report, along with supporting attachments, to the Program and Cost Accounting Branch (PCAB) of the Financial Management Division (FMD). The amount included in the annual allocation report is the sum of the invoices paid for work performed during the Federal fiscal year, i.e., October 1 - September 30.

The Contractor shall provide EPA within 120 days after the end of the fiscal year the total amount of all invoices paid for the annual allocation period, separating Superfund and non-Superfund costs which will be reconciled by EPA and a letter confirming the total amount paid will be sent to the contractor. The contractor should provide two copies of the draft report within 60 days after the letter confirming the invoice amounts are provided to the contractor. The contractor may elect to combine all costs for FY 1986-FY 1991 on one allocation report. Otherwise, each fiscal year's costs should be allocated separately.

When the contract performance period ends at other than the end of the FY, the contractor shall provide the invoice listing 120 days after submission of the last invoice following contract expiration.

Draft and Final Reports

The contractor should first submit the draft reports to PCAB. PCAB has created a lotus spreadsheet for use by the contractor for the preparation of this report. PCAB will review the drafts, notify the contractor in writing of any necessary corrections and request submission of a final report. Two copies of the final report are due to PCAB 30 days after receipt of written notice from EPA. The contractor shall provide, as part of the final report, a signed statement certifying that the final report data accurately reflects the costs distributed to each site and is supported by the contractor's accounting records. Additionally, the contractor shall submit a Summary of Allocation report on a 5 ¼ inch or a 3 ½ inch DOS computer disk in a Lotus 1-2-3 or ASCII format.

The annual allocation report submission includes the following:

Required Reports:

- Listing of all invoices paid during the Federal fiscal year (with invoice numbers and amounts) broken out between Superfund and non-Superfund appropriations
- Summary of Allocation
- Master Allocation Schedule (Attachment A)
- Statement of Allocation Methodology
- Certification of Contractor's report - (final report only)

Required, if applicable:

- Schedule of Start-up Costs (Attachment B)
- Schedule of Capital Equipment Depreciation (Attachment C)
- Schedule of Non-Site Activities (Attachment D)

Allocation Methodology

Annual Allocation is a multi-step process that distributes the costs of program management, regional management, base and award fees and other non-site specific expenses to sites and program-wide activities on a pro-rata basis. The distribution of costs is based upon benefits received or support provided by the activities.

The preferred allocation method is the distribution of non-site costs based on a percentage of total costs. However, the contractor may request an alternative method, subject to approval by the Financial Management Division.

In preparing each year's annual allocation report, the contractor should determine whether any amounts invoices and paid by EPA during the year relate to prior fiscal years, e.g., indirect cost adjustments. If the amount of such payments are material, the contractor should prepare a separate allocation schedule for those amounts.

SECTION II

**ANNUAL ALLOCATION OF
NON-SITE COSTS**

ANNUAL ALLOCATION PROCESS

This section describes EPA's preferred annual allocation method. The examples included are designed to incorporate most situations. Certain contracts may not have all types of costs, or activities listed. If so, enter "N/A" on the schedule and proceed to the next step.

The allocation package submitted by the contractor should provide the information shown on the Summary of Allocation Schedule along with the information in Attachments A, B, C, and D. Attachment A is the master schedule and summarizes information from the other attachments. In a sense, Attachment A is similar to Internal Revenue Service Form 1040, and the other attachments equate to Schedules A, B, etc.

The information provided on the Summary of Allocation should be triple spaced to allow for the addition of account codes by EPA. Sufficient supporting documentation enabling EPA to verify the accuracy of the allocation must be submitted as required by the contract clause. Attachments A, B, C, and D of the instruction package provide examples of adequate supporting documentation.

The instructions provided below follow a format which flows from Attachment A to each of the supporting attachments B, C, and D.

Step 1 - Reconciliation of Amount Paid

The first step in the annual allocation process is the determination of the amount paid for work performed during the government fiscal year. The contractor will provide the amounts paid for work performed during the fiscal year to EPA who will reconcile it to our system and send a letter confirming the total amount paid. The amount paid represents Superfund monies only. Non-Superfund monies are not considered in this allocation unless they are greater than 5% of the total amount paid. The contractor should provide paid amounts from their records separating Superfund from non-Superfund. For this step, assume the contractor provides a paid amount of \$270,000. An example of the reconciliation is shown below:

Contractor provided invoice listing:

<u>Inv.#</u>	<u>Pd. of Performance</u>	<u>Total Paid Amount</u>	<u>Non- Superfund Paid Amount</u>	<u>Superfund Paid Amount</u>	<u>Date Paid</u>
1	10/1/88-10/30/88	\$5,000	\$0	\$5,000	12/15/89
2	11/1/88-11/31/88	11,000	1,000	10,000	1/15/89
3	12/1/88-12/31/88	18,000	0	18,000	2/15/89
4	1/1/89-1/31/89	21,000	1,000	20,000	3/15/89
5	2/1/89-2/28/89	26,000	2,000	24,000	4/15/89
6	3/1/89-3/31/89	22,000	0	22,000	5/15/89
7	4/1/88-4/30/88	15,000	1,000	14,000	6/15/89
8	5/1/88-5/31/88	24,000	3,000	21,000	7/15/89
9	6/1/89-6/30/89	22,000	2,000	20,000	8/15/89
10	7/1/89-7/31/89	22,000	0	22,000	9/15/89
11	8/1/89-8/31/89	35,000	1,000	34,000	10/15/89
12	9/1/89-9/30/89	31,000	1,000	30,000	10/15/89
15	10/1/88-9/30/89	<u>31,000</u>	<u>1,000</u>	<u>30,000</u>	11/15/89
		\$283,000	\$13,000	\$270,000	

There are three important pieces of information in the above example. The first important piece of information is the period of performance and date paid. It is the government fiscal year - October 1 through September 30. Note that the invoices provided represent work performed during the government fiscal year. When the phrase "*amount paid for work performed*" is used, the government fiscal year is the period of work performed. Invoices paid after the end of the fiscal year that pertain to the fiscal year such as indirect cost rate adjustments and previously suspended costs should be included in the listing for that year as shown by invoice #15.

The second important piece of information is the paid amount. The contractor amounts show \$283,000 paid by EPA. The contractor may have billed more but EPA only needs to know the amounts actually paid because the annual allocation process uses the Superfund amount **paid** for work performed, not the amount **billed**. Third, note the breakout of Superfund from non-Superfund dollars since PCAB is recovering only Superfund monies through the Annual

Allocation process of \$270,000 which is what is shown on the Attachment A as the total Superfund amount paid. The \$283,000 represents superfund and other appropriations that may receive a portion of the program management. Unless the non-Superfund portion exceeds 5% of the total annual expenditures, the contractor may exclude the non-Superfund portion from the annual allocation report. In our example, \$13,000 of non-superfund charges is less than 5% of the \$283,000 total amount paid so is therefore excluded from the Attachment A.

Once the contractor submits this invoice listing, EPA will reconcile it against our accounting system and will contact the contractor if there are any discrepancies, otherwise we will provide a letter stating the agreed upon Superfund amount paid. The contractor then has 60 days to complete the annual allocation report.

Step 2 - Identification of Site-Specific Costs

The next step in the annual allocation process is the identification of the site-specific costs paid for work performed during the fiscal year. The site-specific costs include those sites with EPA SSIDs and those without EPA SSIDs. This information will be entered on *Attachment A, Master Allocation Schedule*.

Sites with EPA SSIDs

For sites assigned an EPA SSID, enter the following information by region and by site number on Attachment A, Line 1, Description:

- EPA SSID - the unique site/spill identifier number consisting of a two-digit region code (representing EPA regions 01 - 10), and a two-digit site/spill number assigned by EPA.
- Site Name - the first twelve letters of the site name as it appears on EPA's SSID list.
- State - the two-letter State abbreviation.
- Amount Paid - under Column A, the sum of the amounts directly reported for each site on each invoice or site-specific attachment submitted and paid for the annual allocation period. This includes any pre-SSID costs redistributed to the site during the year.

Sites without EPA SSIDs

For sites not assigned an EPA SSID, enter the following information by region and by Site on Attachment A, Line 2, Description:

- Sites without SSIDs - the pre site/spill identifier number consisting of a two-digit region code (representing EPA regions 01 - 10), and a two-digit pre-SSID number (ZZ) assigned by EPA.
- Amount Paid - under Column A, the sum of the amounts reported for each pre-SSID site on each invoice or site-specific attachment submitted and paid for the annual allocation period. Pre-SSID costs are summarized by region.

The Attachment A example illustrates the procedures for entry of cost information for Sites with EPA SSIDs and Sites without EPA SSIDs. For example, Region 1 Sites with EPA SSIDs, show \$15,000 identified as costs for the Picillo site (0101) and \$25,000 for the Fletchers Paint Mill site (01A2). For Region 1 Sites without EPA SSIDs, there is an \$8,000 amount reported under the SSID "01ZZ." The costs for sites reported under the "ZZ" identifier shall not include any pre-SSID costs which were previously redistributed to the sites during the year.

Subtotal Superfund Site Costs

In Column A, subtotal the amounts from Column A, Line 1 for Sites with EPA SSIDs and subtotal the amounts from Column A, Line 2 for Sites without EPA SSIDs.

Step 3 - Reassignment of Pre-SSID Costs

Note: if the contractor does not have this category of costs, note this on Attachment A and proceed to the next step.

The purpose of this step is to reassign any pre-SSID costs paid for work performed during the fiscal year that are not reflected in the Sites with EPA SSIDs costs identified in the previous step. For these costs, the redistribution will be identified on Attachment A, Column B.

During the year, the contractor may have performed effort at sites which had not been assigned an EPA SSID. The costs for this effort were charged to the pre-SSID account during the year. In many instances, a unique SSID is subsequently assigned to these sites, and the cost of work initially performed and billed is properly reassignable to a specific site.

In the Attachment A example, \$2,000 is being reassigned from the Region 1 pre-SSID amounts to two Region 1 sites. Based upon contractor records, \$1,000 was incurred and paid at each of these two sites before an EPA SSID was established. These amounts are not reflected in the Sites with EPA SSIDs totals from the previous step. In order to reflect the total site specific amount for these two sites, the \$1,000 per site needs to be reassigned from the pre-SSID amounts to the site amounts.

On Attachment A, Line 2, Column B, a credit of \$2,000 is entered for that line item. The reassigned amounts of \$1,000 for each site are then entered on the appropriate lines in Line 1, Column B. After all reassignments are made, sum the totals of Column A and Column B for each site and pre-SSID item and enter the sum on Attachment A, Column C for the respective site and pre-SSID amount.

Step 4 - Identification of Non-Site Costs

The purpose of this step is to identify the non-site costs and the types of activities they represent. The non-site costs can be classified into one of five major categories:

- 1) Program Management - contract activities associated with the management and administration of the contract as a whole. For region specific contracts, there will be one category of Program Management. For Zone or National contracts, Program Management may be broken down into two subcategories - Regional Program Management and National Program Management. Program Management costs will be entered onto Attachment A in Step 5.
 - 2) Start-up Costs - activities incurred generally in the first year and associated with efforts benefiting the entire contract term, e.g., quality assurance plans. Start-up costs will be entered onto Attachment A in Step 6.
 - 3) Capital Equipment - equipment with a unit cost of \$5,000.00 and greater and a useful life of greater than one year. Capital equipment costs will be entered onto Attachment A in Step 7.
 - 4) Non-Site Activities - activities under the contract, other than program management, start-up, or end-of contract, which are not site-specific. These activities can be broken down into two sub categories:
 - Site-Support Non-Site Activities - payments for activities which relate to, support, and/or benefit the sites worked on by the contractor; or
 - Program-Wide Non-Site Activities - payments for activities which support the overall Superfund program beyond the sites worked on under this contract; they are global in nature and purpose. These costs will **not** be allocated to sites in the annual allocation process.
- For further information on non-site activities, refer to the next page. Non-site activities will be entered on Attachment A in Step 8.
- 5) Non-Superfund Costs - costs for contract tasks funded from EPA appropriations other than Superfund; e.g., Abatement, Control, and Compliance, Research and Development, or Lust monies. Non-Superfund costs are not included in this allocation.

The contractor should evaluate the types of non-site costs that were billed and paid for work performed during the fiscal year and place them in one of the five categories identified above. In the next five steps, these amounts will be identified on supporting schedules and entered on Attachment A as applicable. Once the costs have been entered onto Attachment A, the appropriate non-site costs will be allocated to sites and activities.

Description of Non-Site Activities

There is no comprehensive list of site-support non-site activities and program-wide non-site activities. The determination of a site-support activity or a program-wide activity is based upon the purpose of the activity itself. A general definition with some examples will provide sufficient guidance for the contractor to identify which of the non-site activities represent site-support activities and program-wide activities.

Site-Support Activities - Activities undertaken for the purpose of specifically assisting in, or supporting the contractor's site response actions, are considered site-support activities. Listed below are some activities which are generally considered to be site-support activities:

- Project planning costs for a multi-site work assignment
- OSHA safety training for site employees
- Site equipment training
- Development of CERCLA site standard operating procedures (SOPs)
- Development of CERCLA site quality assurance plans
- Review CERCLA site sampling procedures

Program-Wide Activities - Activities which are general in nature and are performed for reasons other than supporting site response actions are considered program-wide activities. If the activity benefits the Superfund, or EPA as a whole, it should be considered a program-wide activity. A few examples of program-wide activities are provided below:

- Review of EPA sampling procedures
- Preparation of SOPs for CERCLA and Clean Water sites
- Preparation of the Annual Allocation Report
- Attendance at a General Superfund Environmental Conference
- CERCLA Title III evaluations
- End of contract activities

The examples given above are certainly not an exhaustive list. However, to summarize the general guidelines and concepts of the examples listed above: if the activity supports or benefits the site response actions worked on under the contract, the activity should be considered a site-support activity; if the activity benefits the Superfund or EPA as a whole, the activity should be considered a program-wide activity.

Step 5 - Program Management Costs

The purpose of this step is to enter program management costs onto Attachment A, Master Allocation Schedule. In step 4, the amount of program management costs was identified. Depending on the area of coverage of the contract, there may only be one category of program management. For Zone or National contracts, there may be two categories -- regional and national program management. Enter the amount of national program management, or contract program management, identified in Step 4 on Attachment A, Line 3, Columns A and C. If the contractor has regional program management, enter the amount of regional program management, by region, on Attachment A, Line 4, Columns A and C.

In the Attachment A example, \$25,000 has been identified as national program management as indicated in Line 3, Columns A and C. Attachment A also shows regional program management of \$10,000 and \$7,000 for Regions 1 and 2, respectively, in Line 4, Columns A and C.

Step 6 - Start-Up Costs

Note: If there are no start-up costs associated with this contract, note this on Attachment A and proceed to the next step.

Start-up costs consist of the cost of efforts and activities incurred and paid for whose purposes and benefits extend for the entire contract period. Examples may include the recruitment and relocation of staff, preparation of the contract work plan, establishment of a contract quality assurance program, and calibration of equipment. Start-up costs typically will have been charged to the contract as program management.

Any start-up costs incurred during this annual allocation period were identified in Step 4. In Step 6, the total start-up costs applicable to this period will be identified and incorporated into the annual allocation process.

Attachment B, Schedule of Start-Up Costs, is the schedule used to determine start-up costs applicable for this annual allocation period. The information on this schedule will be used for all annual allocation periods. The following information should be entered on the schedule:

- A) Schedule Heading - complete the heading for this schedule by entering the fiscal year of the annual allocation, contractor name, and contract number.**
- B) Fiscal Year Incurred - enter the Federal fiscal year for this annual allocation period.**
- C) Start-Up Costs - enter the amount of start-up costs incurred and paid by each annual allocation period (fiscal year) of the contract. Also enter the amount of start-up costs incurred and paid this annual allocation period on Attachment A, Line 5, Column A.**
- D) Number of Years Allocated - enter the number of years over which the start up costs will be allocated (amortized). Generally, this represents the number of years remaining on the contract. The amortization should be based upon a straight-line or percentage of level-of-effort basis. In this example, a straight-line amortization of five years (the life of the contract) is used for illustrating the amortization. Another Start-up amortization methodology that PCAB recommends is the ratio of current year level of effort expended over total LOE allowed (including option years) on the contract. This method would ensure 100% recovery in case LOE was used faster than expected.**
- E) Amount Amortized Each Year - the amount of start-up costs amortized in this annual allocation period, by fiscal year. This fiscal year amount (straight-line method) is determined by dividing the amount identified in the Start-Up Costs column by the amount in the Number of Years Allocated column.**

F) Total Amount to be Allocated This Annual Allocation Report - the total of all costs in the column, Amount Amortized Each Year. Enter this amount on Attachment A, Line 5, Column C.

In the Attachment B example, the contract began in FY 1987. During FY 1987 the contractor incurred and was paid for \$25,000 of start-up costs. These start-up costs will be amortized over the five-year life of the contract on a straight-line basis. To complete this schedule, the FY 1987 start-up costs of \$25,000 are entered on the first line of the schedule in accordance with Steps B-E above. For FY 1988, no start-up costs were incurred or paid. A zero is entered in the start-up costs column. In the current year, FY 1989, there were no start-up costs incurred or paid. A zero is entered in the start-up costs column. For this annual allocation period, \$5,000 of start-up costs is being amortized and included in the annual allocation. The \$5,000 represents the amortized portion of the start-up costs incurred and paid in FY 1987. This amortized portion is entered on Attachment A, Line 5, Column C.

Step 7 - Equipment

Note: If there are no equipment costs, please note this in Attachment A and proceed to the next step.

Cost-reimbursed equipment represents capital equipment with a unit price of \$5,000.00 or greater and a greater than 1 year useful life. The cost of this capital equipment should not be allocated to sites during a one-year period, but rather, depreciated over its useful life. The preferred depreciation basis is an actual usage basis or straight-line method. If the contractor has another accepted accounting method of equipment depreciation, that procedure may be substituted for the straight-line or actual usage basis.

This schedule applies only to non-site-specific capital equipment. Expendable equipment or capital equipment purchased and consumed at a site (and paid as a site-specific cost by EPA to the contractor) should not be included on this schedule.

Any new capital equipment costs incurred during this annual allocation period were identified in Step 4. In this step, the capital equipment costs purchased during this annual allocation period will be entered on Schedule C, Schedule of Capital Equipment Depreciation, and the total capital equipment depreciation applicable to this period will be identified. The total capital equipment depreciation applicable to this period includes the depreciable amount of capital equipment purchased this annual allocation period plus the applicable depreciation of capital equipment purchased in previous annual allocation periods.

Attachment C, Schedule of Capital Equipment Depreciation, is the schedule used to determine capital equipment costs applicable for this period. The information on this schedule will be used for all annual allocation periods. The following information should be entered on the schedule:

- A) Schedule Heading - complete the heading for this schedule by entering the fiscal year of the annual allocation, contractor name, and contract number.**
- B) Date Charged to Contract - enter the month and year the equipment was charged to the contract for all equipment items depreciated this annual allocation period.**
- C) Capital Equipment - enter the name of each capital equipment item.**
- D) Purchase Price - enter the amount charged to the contract for each capital equipment item. For equipment items purchased this annual allocation period, compute and enter the total amount billed and paid and enter that amount on Attachment A, Line 6, Column A.**
- E) Useful Life - enter the useful life of the equipment. If the straight-line depreciation method is used, enter the useful life in number of years. If an**

actual usage basis is used, enter the actual usage unit; i.e., number of hours, number of days, etc. The useful life may extend beyond the term of the contract.

- F) **Beginning Balance** - enter the amount of undepreciated equipment costs. For equipment purchased in previous fiscal years, this amount will be the Ending Balance (See H) in the previous year's annual allocation report. For equipment purchased this fiscal year, the amount will be the purchase price.
- G) **Depreciation Amount** - the depreciation amount to be allocated this annual allocation period. This amount represents the purchase price (D) divided by the useful life (E). For this report, assume no residual or salvage value.
- H) **Ending Balance** - enter the amount of undepreciated equipment cost. This amount represents Beginning Balance (F) less Depreciation Amount (G). This amount is carried over to the next annual allocation report.
- I) **Total Amount to be Allocated in this Annual Allocation Report** - sum the amounts entered into the Depreciation Amount Column (G). Enter that sum on Attachment A, Line 6, Column C.

In the Attachment C example, the straight-line depreciation method was used for all equipment items. In the example, there are three capital equipment items, each purchased in a separate fiscal year and initially reported in a separate annual allocation period.

Entries for Items A - D are self-explanatory. In this example, Step D results in the entry of equipment purchased during this annual allocation period on Attachment A, Line 6, Column A.

The entry for Useful Life (E), may be somewhat difficult to determine. The contractor's own experience should be used in setting the useful life. However, the contractor may rely on manufacturer estimates or specifications. If the manufacturer does not publish useful life figures, or a standard industry useful life has not been established, use the standard IRS depreciation tables for useful life.

The entries for the Beginning Balance (F) represent the remaining balance of depreciation at the beginning of the annual allocation period. The Gas Chromatograph has a purchase price of \$80,000 and a beginning balance of \$48,000. The gas chromatograph was purchased in FY 1987. The current annual allocation period is for FY 1989. There have been two annual allocation reports prior to this year. The difference between the purchase price and the beginning balance of \$32,000 represents the depreciation included in the two prior years' annual allocation reports. The same holds true for the mobile lab. The mobile lab was purchased in the prior annual allocation period. Therefore, the beginning balance represents the purchase price less one year's depreciation amount. The third item shown, Tractor, was purchased in this annual allocation period. The purchase price and the beginning balance are the same.

The Depreciation Amount (G) represents the Purchase Price (D) divided by the Useful Life (E). In this example, number of years were used. Also in this example, there is no proration of the depreciation amount for purchases made during the fiscal year. As an example, the Tractor was purchased in November 1988. It was used for eleven months of this annual allocation period. The depreciation for this annual allocation period is one-third of the total purchase price, or one of the three years' useful life, not 11/36 of the purchase price. If the contractor chooses to depreciate the equipment based upon the number of months available during the fiscal year, that is an acceptable practice. However, this example uses the full year basis.

The Ending Balance (H) represents the Beginning Balance (F) less Depreciation Amount (G). For the FY 1990 annual allocation report, this amount would be entered into the Beginning Balance column (F) for all equipment items depreciated during the FY 1990 annual allocation period.

Attachment C provides the total amount to be allocated for this annual allocation period in Step I. The amount is the sum of the amounts entered into the Depreciation Amount (G) column. Total the amounts entered in this column and enter the amount on Attachment A, Line 6, Column C.

This example shows the straight-line depreciation method for equipment depreciation. If the contractor has another acceptable accounting procedure for depreciation, that procedure can be used. The resulting schedule may appear in a different format than presented in the example. However, the basic information should still be presented.

Step 8 - Non-Site Activities

Note: If there are no non-site activities, please note this in Attachment A and proceed to the next step.

Non-site activities represent efforts and activities which either support contractor site response actions or support the Superfund program as a whole. The non-site activities can be efforts generated by separate contractual instruments (Work Assignments, Technical Directive Documents, Delivery Orders, etc.) or general components of the general non-site portion of the contract.

Attachment D, Schedule of Non-Site Activities, is the schedule used to identify and list the activities by site-support activities or program-wide activities. In Step 4, these activities were identified. Activities should be grouped and listed by allocability type and area of applicability.

- A) Schedule Heading - complete the heading for this schedule by entering the fiscal year of the annual allocation, contractor name, and contract number.**
- B) Determination of Allocability - enter the allocability determination for each identified activity as either site-support or program-wide.**
- C) Area of Applicability - enter the sites, or grouping of sites, over which the costs will be allocated; i.e., Region 1 sites, all sites, or not allocable. For region specific contracts, all sites would be entered for site-support costs.**
- D) Description of Activity - enter the description of the non-site activity. The description should provide for a complete description of the activity.**
- E) Amount of Activity - enter the amount of the non-site activity.**
- F) Amount to be Allocated This Annual Allocation Report - Sum the non-site activities by Area of Applicability (C) and by Determination of Allocability (B). For site-support activities, enter the amount on Attachment A, Line 7, Column A and Column C. For program-wide activities, enter the amount on Attachment A, Line 8, Column A and Column C.**

In the Attachment D example, there are examples of the two types of non-site activities. First, there is \$55,000 of site-support costs. These site-support costs are further broken down into regional activities, \$25,000 of Region 1 site-support activity and \$30,000 of Region 2 site-support activity. These amounts are entered onto Attachment A, Line 7, Columns A and C, for each respective region. Second, there is a total of \$22,000 of program-wide activities and these costs are identified as not allocable. This amount is entered onto Attachment A, Line 8, Columns A and C.

Step 9 - Non-Superfund Costs

Certain Superfund response action contractors may perform efforts other than Superfund activities. These efforts are paid from other than the Superfund appropriation. The annual allocation process deals with Superfund monies only as shown in the invoice listing. Unless the non-Superfund monies are greater than 5% of the total contract, do not include non-Superfund monies in this annual allocation report.

Step 10 - Summary of Amounts

Sum all of Attachment A, Column A and enter that total on Attachment A, Line 9, Column A. This amount should equal the amount identified in Step 1. If it does not, please re-check your figures. In the Attachment A example, this amount equals \$270,000.

Sum Attachment A, Column C and enter that total on Attachment A, Line 9, Column C. This is the universe of costs used in this annual allocation period, including site specific amounts, Pre-SSID amounts, and amounts eligible for allocation. In the Attachment A example, this amount equals \$268,000

With these final entries, the annual allocation process can begin. The next four steps provide an illustration of the annual allocation process for each of the allocable costs: program management, start-up costs, equipment, and site-support activities.

Step 11 - Allocation of Program Management Costs

Program management costs are allocated to all sites with and without EPA SSIDs, non-site activities, and other non-Superfund efforts. The allocation should be based upon a method which equitably reflects the benefits provided by the program management.

In this example, a modified cost base is used for the allocation of program management costs. Also, two types of Program Management costs are included in this example - National Program Management and Regional Program Management. All contracts may not have both types of program management, but this instruction document is designed for all types of contracts and may have examples or illustrations which do not apply.

Program management is allocated to the sites and activities based upon the percentage of the particular site or activity's costs to the total cost of all sites and activities. Please note that equipment is not included in the allocation base. Generally, equipment does not receive the same level of support that sites and other activities receive. Because the support provided would not reflect the causal/beneficial relationship, equipment is excluded.

An example is provided below on the allocation to an EPA SSID site. The allocation to other sites and activities is performed in the same manner.

Program Management Allocation

Formula:

$$\frac{\text{Program Management Amount}}{\text{Amount}} \times \frac{\text{Site or Activity Amount}}{\text{Allocation Cost Base}} = \frac{\text{Allocable Share}}{\text{Share}}$$

Allocation of Costs:

$$\$25,000 \times \frac{\$16,000}{\$205,000} = \$1,951$$

In the example shown above, the Program Management amount of \$25,000 is identified on Attachment A, Line 3, Column C. This is the amount to be allocated.

The site or activity amount, in this example the SSID amount for the Picillo Site (0101), equals \$16,000 - the amount shown in Attachment A, Line 1, Column C. This amount includes the \$15,000 of site costs plus the \$1,000 of pre-SSID costs reassigned to the site in Step 3.

The allocation cost base of \$205,000 (the total shown in Column C of \$268,000 less the \$25,000 of Program Management Costs and the \$38,000 of Equipment Costs) represents the sites and activities which receive a portion of allocated program management. The allocable share of \$1,951 is entered on Attachment A, Line 1, Column D for this site. Repeat this calculation for all other sites and activities. The allocable share for each site or activity is entered on Attachment A, Column D on the corresponding line. Enter a credit to the Program Management amount in the amount of \$25,000 on Attachment A, Line 3, Column D.

Allocation of Regional Program Management Costs

The allocation of regional program management costs is similar to the allocation of program management costs shown above, except it is on a regional level. The regional program management costs are allocated to all sites and activities in that region.

Regional Program Management Allocation

Formula:

$$\frac{\text{Regional Program Management Amount}}{\text{Total Regional Cost Base}} \times \frac{\text{Site or Activity Amount}}{\text{Total Regional Cost Base}} = \text{Allocable Share}$$

Allocation of Costs:

$$\$11,220 \times \frac{\$17,951}{\$81,903} = \$2,459$$

In the example shown above, the Region 1 Program Management amount of \$11,220 represents the sum of the Regional Program Management identified on Attachment A, Line 4, Column C of \$10,000 plus the \$1,220 allocable share of Program Management costs identified in Column D.

The site or activity amount, in this case the SSID amount for the Picillo Site (0101), equals \$17,951. The SSID amount includes the \$16,000 shown on Attachment A, Column C plus the allocable share of Program Management costs of \$1,951.

The total regional cost base of \$81,903 represents all sites and activities in Region 1. This amount includes the total amount of site costs both with SSIDs (\$17,951 for Picillo and \$29,171 for Fletchers Paint Mill) and pre-SSIDs (\$6,732) and the Region 1 site-support costs (\$28,049), including any previous allocations of costs (Program Management Costs). If there were regional start-up costs, these amounts would also be included in the total regional cost base. In this example, start-up costs are considered contract-wide costs. Regional program management costs are allocated to region-specific costs only. From the

calculation above, the allocable share for Site 0101 is \$2,459 and is entered on Attachment A, Line 1, Column E for this site. Repeat this calculation for all other sites and activities. The allocable share for each site or activity is entered on Attachment A, Column E on the corresponding line.

Step 12 - Allocation of Start-up Costs

The allocation of start-up costs proceeds in the same manner as program management costs. The start-up costs are allocated to all sites and activities which receive a benefit from the start-up costs.

In this example, start-up costs are allocated to all sites and activities, excluding equipment. The contractor may be able to identify start-up costs to specific sites, regions, equipment, or activities. If the contractor has kept records in such a manner, the start-up costs should be allocated in accordance with the benefits provided by the start-up costs. The example below provides the basis for allocating the start-up costs to all sites and activities, excluding equipment:

Start-up Cost Allocation

Formula:

$$\frac{\text{Start-up Cost Amount}}{\text{Amount}} \times \frac{\text{Site or Activity Amount}}{\text{Allocation Cost Base}} = \frac{\text{Allocable Share}}{\text{Share}}$$

Allocation of Costs:

$$\$5,610 \times \frac{\$20,410}{\$224,390} = \$ 510$$

In the example shown above, the start-up cost amount of \$5,610 represents the sum of Columns C, D, and E, of Line 5 (\$5,000, \$610, and 0, respectively). The site or activity amount, in this example the SSID amount for the Picillo Site (0101), equals \$20,410 - the sum of the amounts shown in Columns C, D, and E, of Line 1 (\$16,000, \$1,951, and \$2,459, respectively). The Total Cost Base is \$224,390 which represents all costs from Column C of \$268,000 (because start-up costs are allocated to all sites and activities, excluding equipment) less the start-up cost amount of \$5,610 and equipment of \$38,000. The allocable share of \$510 for site 0101 is entered on Attachment A, Line 1, Column F for this site. Repeat this calculation for all other sites and activities. The allocable share for all sites and activities is entered on Attachment A, Column F on the corresponding line.

Step 13 - Allocation of Capital Equipment Costs

Capital equipment costs are allocated to those sites and activities which receive a benefit from the equipment. The preferred method of allocating capital equipment costs to sites and activities is on a direct usage basis; i.e., as capital equipment is used on each site or activity, those costs are captured and identified with that specific site or activity. This method would result in the most equitable cost accounting treatment of capital equipment costs. However, other allocation procedures may be used if they provide a sound cost accounting treatment of capital equipment costs. The allocation of capital equipment costs should be based upon a procedure which results in the equitable allocation of costs and is based upon information from the contractor's accounting system. For this example, the straight-line depreciation method is used.

Capital Equipment Cost Allocation

Formula:

$$\frac{\text{Capital Equipment Cost Amount}}{\text{Cost Amount}} \times \frac{\text{Site or Activity Amount}}{\text{Total Cost Base}} = \text{Allocable Share}$$

Allocation of Costs:

$$\$38,000 \times \frac{\$20,920}{\$230,000} = \$ 3,456$$

In the example shown above, the capital equipment cost amount of \$38,000 represents the sum of the Capital Equipment line item, Columns C, D, E, and F (\$38,000, \$0, \$0, and \$0, respectively, because capital equipment does not receive any allocations). The site or activity amount, in this example the SSID amount for the Picillo Site (0101), equals \$20,920 - the sum of the amounts shown in Columns C, D, E, and F (\$16,000, \$1,951, \$2,459, and \$510, respectively). The Total Cost Base amount equals \$230,000 and represents all costs of \$268,000 (because in this example capital equipment costs are allocated to all sites and activities) less the capital equipment cost amount of \$38,000. The allocable share of \$3,456 for site 0101 is entered on Attachment A, Line 1, Column G for this site. Repeat this calculation for all other sites and activities. The allocable share for all sites and activities is entered on Attachment A, Column G on the corresponding line.

Step 14 - Allocation of Site-Support Costs

Site-support costs represent those activities which support site response actions in the aggregate, but by their nature cannot be accounted for on a site-specific basis. In this example, all site-support costs are region specific costs. Site-support costs may also be contract-wide costs, i.e., allocated to all sites on the contract. The allocation of site-support costs is shown below:

Site-Support Cost Allocation

Formula:

$$\frac{\text{Site Support Cost Amount}}{\text{Cost Amount}} \times \frac{\text{Regional Site Amount}}{\text{Total Regional Cost Base}} = \frac{\text{Allocable Share}}{\text{Share}}$$

Allocation of Costs:

$$\$38,089 \times \frac{\$24,376}{\$73,130} = \$12,696$$

In the example shown above, the Region 1 site-support cost amount of \$38,089 represents the sum of the Site-Support line item, Columns C, D, E, F, and G (\$25,000, \$3,049, \$3,842, \$797, and \$5,401 respectively).

The Regional Site Amount, in this example the SSID amount for the Picillo Site, 0101, equals \$24,376 - the sum of the amounts shown in Columns C, D, E, F, and G (\$16,000, \$1,951, \$2,459, \$510, and \$3,456, respectively).

The Total Regional Cost Amount is \$73,130 and represents all Region 1 site costs - sites with EPA SSIDs (\$24,376 for Picillo and \$39,613 for Fletchers Paint Mill) and Pre-SSID costs (\$9,141), including any allocations incorporated in Columns D, E, F, and G. The allocable share of \$12,696 for site 0101 is entered on Attachment A, Line 1, Column H for this site. Repeat this calculation for all Region 1 sites and activities. The allocable share for other sites is entered on Attachment A, Column H on the corresponding line. Repeat these same calculations for Region 2 until all site-support costs are allocated to sites.

Step 15 - Completion of Master Allocation Schedule

The purpose of this step is to complete Attachment A, Master Allocation Schedule by summarizing the allocation. Attachment A is completed by adding the amounts entered in Columns D, E, F, G, and H for each site and activity and entering the sum in Column I. These amounts represent each site's and activity's total share of allocated costs. The Column I site totals are then forwarded to the Summary Allocation Schedule.

All amounts shown on Attachment A, Master Allocation Schedule, are whole dollars. EPA prefers the amounts shown in this format. Because the amounts are shown in whole dollars and there are numerous calculations, some rounding differences will occur. The rounding difference can be shown as a separate line item, or, as in this example, is simply incorporated into the schedule.

Step 16 - Summary of Allocated Amounts

The purpose of this step is to summarize the amounts allocated to site response effort (Sites with EPA SSIDs and Pre-SSID Costs) on the Summary of Allocation. The allocated amounts represent the entries in Columns D through H on the Master Allocation Schedule.

The Summary of Allocation should be completed as follows:

- 1) Identify sites by region
 - SSID - the unique site/spill identifier number consisting of a two-digit region code (representing EPA regions 01 - 10), and a two-digit site/spill number which is assigned by EPA.
 - Site Name - the first twelve letters of the site name as it appears on EPA's SSID list.
 - State - the two-letter State abbreviation.
- 2) Within the region, list the Sites with EPA SSIDs - numbers first, then letters
- 3) After the identification of the Sites with EPA SSIDs, enter the Pre-SSID 'ZZ' line item
- 4) Enter the summary amount of allocated dollars by site from Column I on the Master Allocation Schedule onto the Summary of Allocation

The contractor shall submit the Summary of Allocation report on a 5 ¼ inch or a 3 ½ inch DOS computer disk in a Lotus 1-2-3 or ASCII format. The Allocation Schedule should be triple spaced. Two hard copies of the report should accompany the diskette submission.

SECTION III

**EXAMPLES OF
ANNUAL ALLOCATION SCHEDULES**

SUMMARY OF ALLOCATION

ATTACHMENT A

ANNUAL SUMMARY OF SUPERFUND AND NON SUPERFUND DIRECT AND ALLOCATED COSTS

CONTRACT NUMBER: _____

Fiscal Year 1989

NAME OF CONTRACTOR: _____

ROW #	CATEGORY OF COSTS PAID			A	B	C	D	E	F	G	H	I
	S/S ID	SITE NAME	STATE	Paid Amount STEPS 2-10	Pre-SSID Adjustments STEPS 2&3	Allocation Amounts STEP 4	Proeogram Management	Regional Program Management	Allocation of Start-Up Costs	Equipment Costs	Site-Support Costs	Total Allocated Amounts
1	SITE SUPERFUND COSTS Sites with EPA S/S Ids											
	01A1	Picillo	RI	15,000	1,000	16,000	1,951	2,459	510	3,456	12,696	21,072
	01A2	Fletchers PA1	IA	25,000	1,000	26,000	3,171	3,996	829	5,617	20,632	34,245
	REGION I SUBTOTAL			40,000	2,000	42,000	5,122	6,455	1,339	9,073	33,328	55,317
	02B3	Caldwell Truc	NJ	33,000		33,000	4,024	2,945	999	6,769	24,692	39,429
	02C4	Sayreville LD	NJ	22,000		22,000	2,683	1,963	666	4,513	16,461	26,286
	REGION II SUBTOTAL			55,000	0	55,000	6,707	4,908	1,665	11,282	41,153	65,715
	SITES WITH SSID SUBTOTAL			95,000	2,000	97,000	11,829	11,363	3,004	20,355	74,481	121,032
2	Sites without EPA S/S IDs (by Region)											
	01ZZ			8,000	(2,000)	6,000	732	922	191	1,296	4,761	7,902
	02ZZ			3,000		3,000	366	268	91	615	2,245	3,585
	SITES WITHOUT SSID SUBTOTAL			11,000	(2,000)	9,000	1,098	1,190	282	1,911	7,006	11,487
	SITE TOTAL			106,000	0	106,000	12,927	12,553	3,286	22,266	81,487	132,519
3	Program Management			25,000		25,000	(25,000)					
4	Regional Program Management											
	Region 1			10,000		10,000	1,220	(11,220)				
	Region 2			7,000		7,000	854	(7,854)				
5	Start-up Costs			0		5,000	610		(5,610)			
6	Equipment			45,000		38,000				(38,000)		
7	Site-Support Costs											
	Region 1			25,000		25,000	3,049	3,842	797	5,401	(38,089)	
	Region 2			30,000		30,000	3,659	2,677	908	6,153	(43,398)	
8	Program-WIde Activities			22,000		22,000	2,683		617	4,180		7,480
9	TOTAL Superfund costs			270,000	0	268,000	2	(2)	(2)	0	0	139,999

SUMMARY OF ALLOCATION

FISCAL YEAR 1989

CLEAN UP INC.

CONTRACT NUMBER 68-01-XXXXX

DESCRIPTION

Allocation to Sites with EPA SSIDs

SSID	SITE NAME	STATE	AMOUNT ALLOCATED	DCN	ACCOUNT NUMBER TO	ACCOUNT NUMBER FROM
0101	PICOLLO FARM	RI	21,073	(TO BE COMPLETED BY EPA)		
01A2	FLETCHERS PAI	NH	32,245			
02B3	CALDWELL TRUC	NJ	39,430			
02C4	SAYERVILLE LD	NJ	28,286			
SITES WITH SSID SUBTOTAL			121,034			

Allocation to Pre-SSID Sites

01ZZ	7,092
02ZZ	3,584
SITES WITH SSID SUBTOTAL	11,486

TOTAL ALLOCATED TO SITES

ATTACHMENT B**STEP 6****START-UP COSTS TO BE
ALLOCATED****Fiscal Year 1989****CONTRACT
NO.**_____
_____**NAME OF CONTRACTOR:**

Start-Up Costs**FY
Incurred****Number of Years
Over Which to be
Allocated****Amounts to be
Allocated****Year of
Allocation****Amount
Remaining****25000****1987****5****5,000****2nd****15,000****0****1988****N/A****0****0****1989****N/A****0****TOTAL AMOUNT TO BE ALLOCATED THIS ANNUAL REPORT:****5,000****TOTAL AMOUNT TO BE ALLOCATED IN SUBSEQUENT ANNUAL REPORTS:****15,000**

STEP 7**ATTACHMENT C****COST REIMBURSED EQUIPMENT COSTS
TO BE ALLOCATED****CONTRACT NO. _____****NAME OF CONTRACTOR:**

Date Charged to Contract (month/year)	Capital Equipment	Purchase Price	Useful Life in Years	Beginning Balance	Depreciation Amount	Ending Balance
Jan. '87	Gas Chromatograph	\$80,000	5	\$48,000	\$16,000	\$32,000
Oct. '87	Mobile Laboratory	\$49,000	7	\$42,000	\$7,000	\$35,000
Nov. '88	Tractor	\$45,000	3	\$45,000	\$15,000	\$30,000

**TOTAL AMOUNT TO BE ALLOCATED THIS
ANNUAL REPORT:**

\$38,000**TOTAL AMOUNT TO BE ALLOCATED IN SUBSEQUENT
ANNUAL REPORTS:**

\$97,000

Attachment D
Schedule of Non-Site Activities - FY 1989

CONTRACT NUMBER_____

NAME OF CONTRACTOR _____

Determination of Allocability	Area of Allocability	Activity Description	Dollar Amt.
site-support	Region 1 Sites	Worker safety training for regional personnel	25,000
		SUBTOTAL REGION 1 SITES	25,000
site-support	Region 2 Sites	Worker safety training for regional personnel	28,000
site-support	Region 2 Sites	NPL training	2,000
		SUBTOTAL REGION 2 SITES	30,000
		TOTAL ALLOCABLE ACTIVITIES	55,000
program-wide	Not allocable	Training of first responders	10,000
program-wide	Not allocable	Review State agency safety requirements	12,000
		TOTAL NON-ALLOCABLE ACTIVITIES	22,000